

COMMENTARY

HEARTLAND VALUE PLUS FUND

4th Quarter • December 31, 2011

PORTFOLIO MANAGEMENT TEAM

Adam Peck, CFA
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Seeks long-term capital appreciation by investing in small, dividend-paying companies

HEARTLAND VALUE PLUS FUND

	Investor Class	Institutional Class
Ticker	HRVIX	HNVIIX
CUSIP	422352500	422352849

QUARTERLY RETURNS (9/30/11 - 12/31/11)

Investor Class	Institutional Class	Russell 2000 Value Index	Russell 2000 Index
16.32%	16.42%	15.97%	15.47%

SECTOR WEIGHTS (% of Equity Investments)

	Fund	R2V	R2
Consumer Discretionary	5.4	11.7%	13.1%
Consumer Staples	2.1	3.1	3.6
Energy	12.2	4.6	6.7
Financials	22.0	36.8	22.3
Health Care	18.0	5.3	12.7
Industrials	20.6	14.8	15.6
Information Technology	7.4	10.9	17.1
Materials	12.3	4.9	4.4
Telecommunication Services	0.0	0.6	0.8
Utilities	0.0	7.3	3.7
	100.0%	100.0%	100.0%

Sector classifications are generally determined by referencing the Global Industry Classification Standard (GICS) Codes developed by Standard & Poor's and Morgan Stanley Capital International. Sector allocations are a percent of equity investments and subject to change. Source: FactSet Research Systems, Inc.

TOP CONTRIBUTORS FOR THE QUARTER (% Portfolio)*

Robbins & Myers, Inc. (3.61)
Stone Energy Corp. (2.53)
Omnicare, Inc. (3.11)
GATX Corp. (2.46)
Unit Corp. (2.67)

BOTTOM DETRACTORS FOR THE QUARTER (% Portfolio)*

Invacare Corp. (1.62)
Overseas Shipholding Group, Inc. (0.81)
Chemed Corp. (1.96)
Federal Signal Corp. (1.08)
Zep, Inc. (0.82)

*Excludes new holdings purchased this quarter and securities no longer held. Number above represents percentage of the Fund's net assets. Portfolio holdings are subject to change.

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QUARTERLY UPDATE

If we had to sum up 2011 performance in one word, we would choose "frustrating." The markets experienced significant volatility, and the Fund ended down 5.37% vs. negative 5.50% for the Russell 2000 Value Index, the Fund's benchmark. While we are always happy to outperform the benchmark, we note that we did not keep pace with dividend paying stocks in the Russell 2000 Value Index, which were down only 0.31% vs. a negative return of 11.85% for non-dividend payers. However, we missed for a reason that, after closer examination, is acceptable to us. Specifically, the Fund was not exposed to Real Estate Investment Trust (REITS) and Utilities, generally both dividend paying segments that also were top performers within the Index. However, both segments tend to exhibit high degrees of leverage and, as a general rule, we are debt averse. We will expand on this later.

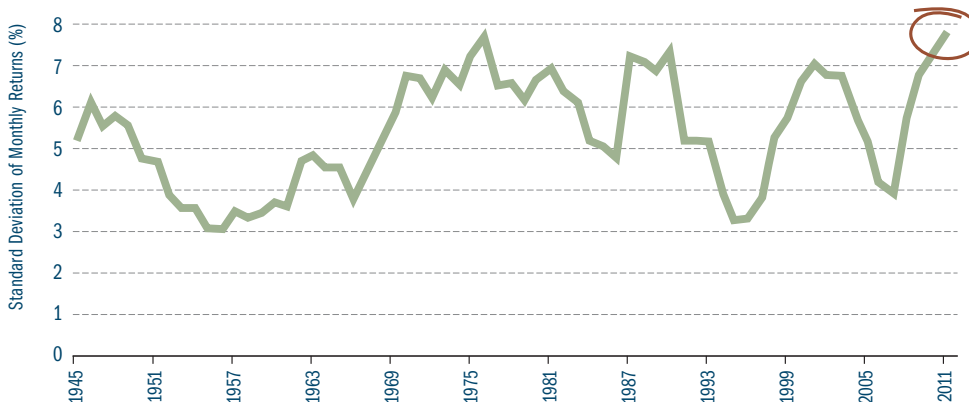
Overall stock selection contributed to the Fund's outperformance. Only 3 of 10 sectors had negative stock selection for the year. This offset poor sector allocation, with negative relative performance in 6 of 10 sectors, including the aforementioned Utilities and Financials (which contain REITS).

The 4th quarter has historically been one of the best of the year, and this seasonal bias was again true in 2011. For the quarter, the Fund's return was a positive 16.32% versus the Russell 2000 Value Index return of 15.97%. At the end of the year, the Fund held 66 companies with a median market capitalization of \$710 million and an weighted average market cap of \$1.3 billion. The Fund currently has approximately 86% of its assets, excluding cash, in dividend paying stocks.

Financial soundness is one of the crucial elements of our stock selection discipline, which we call the 10 Principles of Value Investing™, and the Fund's holdings continue to have less debt on their balance sheets than those in the benchmark. We strive to keep debt to capitalization below 25%; currently it is 21% vs. 32% for the benchmark.

As noted earlier, the market's volatility was extreme this past year. The Russell 2000 Value Index had a daily change in either direction of 1% or more in 53% of all trading sessions. Since August 1st, it moved by this amount 73% of the time! The following chart demonstrates how small cap price volatility is at a 65 year high going back to 1945.

Small-Cap Volatility is at an All Time High - Small-Cap Trailing 4-Year Volatility



Source: Furey Research Partners and FactSet Research Systems, Inc., 1/1/1942 - 12/31/2011. Trailing Volatility is monthly standard deviation for a series of four year periods as of the dates provided. Small Cap Stocks as defined by Furey Research Partners include Ibbotson CRSP 6th to 8th deciles data by market capitalization (CRSP measures all equity securities listed on NYSE, Amex, NASDAQ and NYSE Arca that existed during the time period and with 1 being the largest market capitalization decile and 10 being the smallest.) for all periods before 12/31/78 and Russell 2000 data for all periods after 12/31/78.

COMMENTARY VALUE PLUS FUND

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QUARTERLY UPDATE (CONTINUED)

We do not believe most company's intrinsic values changed to the extent implied by recent market volatility. Below, we provide an example of a Fund holding that has experienced significant price volatility in 2011, which we believe belies the stability and strength of the company's business fundamentals.

Pharmerica (PMC) is one of the largest institutional pharmacies in the US, catering to skilled nursing facilities, assisted living centers and hospitals. When we bought PMC in 2011, it had a number of tailwinds we believed would drive earnings, irrespective of the broader economy. The most significant of these tailwinds, in our mind, was the conversion from branded to generic drugs in 2011 and 2012. We expect that 30% of branded drugs will become generic in 2012, and generic drugs should result in higher margins for the company. With both a favorable outlook and an attractive valuation, the company was trading for less than 1x book value when we bought it, and it had a dominant market position. With these attributes, it was no surprise to us that another company, Omnicare, sought to acquire Pharmerica at the end of August.

Before Omnicare made its offer, Pharmerica rallied 28% from end of March through early May, then fell 23% through mid June, only to go back up 34% over the next month, to then drop down again 24% into August before finally going up 42% through the end of the year. We do not believe the intrinsic value of the company changed as much as its stock price did. This example illustrates that price volatility can create great opportunities for fundamental investors to purchase fundamentally attractive stocks at low prices.

We feel very good about the prospects for the individual companies in the Fund. The fundamentals which drive our over weights in the Health Care, Energy, and Material sectors have not changed. We continue to see more value in those sectors than Utilities, REIT and Consumer Staples sectors. Utilities and Consumer Staples have traditionally been safe havens during turbulent markets. We think this "flight to safety" has created an opportunity to buy quality companies in more cyclical industries. This is why we have raised the Fund's Industrial exposure recently.

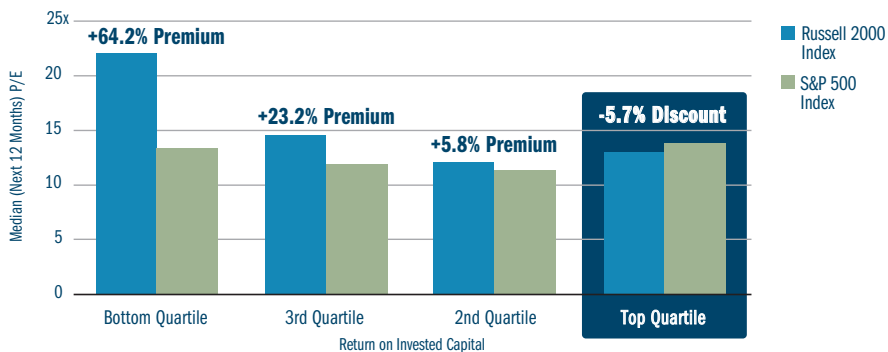
Many pundits have cited generally better relative values of large cap stocks in comparison to small caps. However, as the chart below illustrates, high quality small caps – those which the Fund attempts to target – are trading at a discount to quality large caps, and small caps have historically had a greater likelihood of margin expansion as well. (In the chart, quality is defined by Return on Invested Capital – ROIC).

As always, though, know that whatever else may unfold in 2012 and the coming years, we will continue to use Heartland's 10 Principles of Value investing™ to find unloved, underfollowed and undervalued securities.

Thank you for your confidence and best wishes for a healthy and prosperous New Year.

Your Value Plus Fund Team

The Highest Return Small Cap Stocks are Cheaper than Large Cap
Small-Cap Relative Returns (vs. S&P 500)



Source: Furey Research Partners and FactSet Research Systems, Inc., 12/31/2010 - 12/31/2011

PERFORMANCE ATTRIBUTION
VALUE PLUS FUND

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QUARTER TO DATE	Heartland Value Plus Fund			Russell 2000 Value Index			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	5.23%	25.29%	1.31%	11.82%	19.33%	2.29%	-6.59%	5.97%	-0.98%	-0.09%	0.26%	0.17%
Consumer Staples	2.17	12.24	0.29	3.04	13.36	0.42	-0.88	-1.13	-0.13	0.03	-0.04	-0.01
Energy	12.82	25.51	3.23	4.81	18.44	0.86	8.01	7.07	2.38	0.14	0.80	0.94
Financials	21.27	25.76	5.48	36.36	18.47	6.72	-15.09	7.28	-1.24	-0.05	1.54	1.48
Health Care	18.16	9.56	1.73	5.32	14.65	0.78	12.84	-5.09	0.95	-0.49	-0.97	-1.46
Industrials	19.82	31.59	5.80	14.66	22.87	3.28	5.16	8.72	2.53	0.22	1.49	1.71
Information Technology	7.53	21.04	1.59	11.25	16.60	1.90	-3.72	4.44	-0.31	0.03	0.36	0.38
Materials	13.01	13.15	1.86	4.95	20.56	0.99	8.06	-7.41	0.88	0.25	-0.89	-0.64
Telecommunication Services	-	-	-	0.61	12.75	0.08	-0.61	-12.75	-0.08	0.03	-	0.03
Utilities	-	-	-	7.18	10.63	0.80	-7.18	-10.63	-0.80	0.59	-	0.59
Total	100.00%	21.30%	21.30%	100.00%	18.10%	18.10%	-	3.20%	3.20%	0.66%	2.55%	3.20%

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns.
Holdings Data: Heartland Value Plus Fund 9/30/2011 through 12/30/2011. Russell 2000 Value 10/03/2011 through 1/03/2012.

ONE YEAR	Heartland Value Plus Fund			Russell 2000 Value Index			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	5.20%	-5.95%	-0.10%	10.79%	-9.64%	-1.11%	-5.59%	3.69%	1.01%	0.29%	0.30%	0.59%
Consumer Staples	1.97	11.77	0.26	3.05	2.36	0.09	-1.09	9.41	0.17	-0.08	0.19	0.10
Energy	14.28	-8.12	-2.17	6.52	-13.07	-0.85	7.75	4.95	-1.32	-0.90	0.58	-0.33
Financials	21.64	-6.39	-1.05	36.64	-3.14	-0.95	-15.00	-3.24	-0.09	-0.31	-0.43	-0.74
Health Care	18.04	0.72	0.44	5.55	2.72	0.04	12.50	-2.00	0.39	0.95	-0.58	0.36
Industrials	18.04	3.47	1.10	14.37	-7.82	-1.05	3.67	11.29	2.15	-0.01	2.21	2.20
Information Technology	7.77	-12.74	-0.71	10.23	-11.89	-1.31	-2.47	-0.85	0.59	0.29	-0.06	0.22
Materials	13.07	-2.34	-0.72	5.79	-7.73	-0.48	7.28	5.39	-0.24	-0.33	0.77	0.43
Telecommunication Services	-	-	-	0.57	-22.18	-0.19	-0.57	22.18	0.19	0.13	-	0.13
Utilities	-	-	-	6.49	16.47	1.06	-6.49	-16.47	-1.06	-1.19	-	-1.19
Total	100.00%	-2.96%	-2.96%	100.00%	-4.74%	-4.74%	-	1.78%	1.78%	-1.15%	2.98%	1.78%

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns.
Holdings Data: Heartland Value Plus Fund 12/31/2010 through 12/30/2011. Russell 2000 Value 1/03/2011 through 1/03/2012.

THREE YEAR	Heartland Value Plus Fund			Russell 2000 Value Index			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	4.61%	81.07%	3.25%	11.14%	96.23%	11.24%	-6.53%	-15.16%	-7.98%	-4.52%	-0.28%	-4.67%
Consumer Staples	1.60	154.05	2.87	3.46	37.62	1.04	-1.86	116.42	1.83	1.19	3.67	4.99
Energy	13.41	102.54	12.43	5.68	51.36	2.80	7.73	51.17	9.64	1.43	5.98	7.54
Financials	19.24	35.52	7.79	36.55	14.97	3.81	-17.31	20.55	3.99	7.71	0.92	8.75
Health Care	23.60	79.78	22.35	4.80	41.89	1.05	18.81	37.88	21.31	-3.39	9.64	6.37
Industrials	17.16	54.22	8.81	14.94	35.71	4.87	2.22	18.51	3.94	-0.24	3.40	3.28
Information Technology	9.66	63.59	7.89	10.10	72.32	8.74	-0.45	-8.72	-0.85	1.35	-2.39	-0.91
Materials	10.68	37.18	0.54	6.13	108.58	6.04	4.55	-71.40	-5.50	2.76	-6.49	-3.60
Telecommunication Services	-	-	-	0.51	2.84	0.00	-0.51	-2.84	0.00	0.36	-	0.36
Utilities	0.04	5.97	0.04	6.70	42.46	1.85	-6.66	-36.49	-1.80	2.00	0.34	2.46
Total	100.00%	65.98%	65.98%	100.00%	41.41%	41.41%	-	24.57%	24.57%	8.66%	14.79%	24.57%

Performance attribution does not incorporate the effects of cash, unclassified securities or expenses. The total impact may not equal the difference between Fund and Benchmark returns.
Holdings Data: Heartland Value Plus Fund 12/31/2008 through 12/30/2011. Russell 2000 Value 1/02/2009 through 1/03/2012.

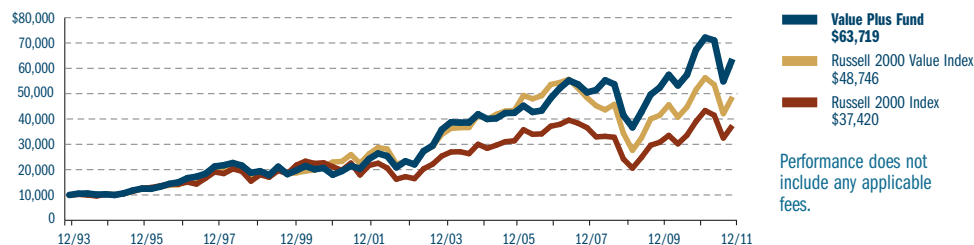
Source: FactSet Research Systems, Inc. Holdings are subject to change. Data represents the equity portion of portfolio. Industry and sector classifications for each security held in the account are generally determined by referencing the Global Industry Classification Standard Codes. Performance shown is cumulative.

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GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

(Investor Class, Since Inception: October 26, 1993)



Performance does not include any applicable fees.

AVERAGE ANNUAL TOTAL NET RETURNS AS OF DECEMBER 31, 2011

	Inception Date	Since Inception	Ten Years	Five Years	Three Years	One Year	Quarter-To-Date*
Heartland Investor Class	10-26-93	10.72%	10.15%	5.74%	15.40%	-5.37%	16.32%
Heartland Institutional Class	05-01-08	10.79	10.27	5.96	15.73	-5.07	16.42
Russell 2000 Value Index	—	9.07	6.40	-1.87	12.36	-5.50	15.97
Russell 2000 Index	—	7.50	5.62	0.15	15.63	-4.18	15.47

Index Source: FactSet Research Systems, Inc.

*Not annualized

In the prospectus dated 5/1/11, the gross expense ratios for the Investor and Institutional Class are 1.17% and 0.86%, respectively. The Advisor has voluntarily agreed to waive fees and/or reimburse expenses with respect to the Institutional Class, to the extent necessary to maintain the Institutional Class' "Net Annual Operating Expenses" at a ratio of 0.99% of average daily net assets. This voluntary waiver/reimbursement may be discontinued at any time. Without such waivers and/or reimbursements, total returns may have been lower.

Past performance does not guarantee future results. Performance for the Institutional Class prior to May 1, 2008 is based on the performance of the Investor Class. Performance represents past performance; current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. All returns reflect reinvested dividends and capital gains distributions, but do not reflect the deduction of taxes that an investor would pay on distributions or redemptions. To obtain performance through the most recent month end, call 800-432-7856, or visit www.heartlandfunds.com. Subject to certain exceptions, shares of a Fund redeemed or exchanged within 10 days of purchase are subject to a 2% redemption fee. Performance does not reflect this fee, which if deducted would reduce an individual's return.

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information can be found in the Fund's prospectus. To obtain a prospectus, please call 1-800-432-7856 or visit www.heartlandfunds.com to download. Please read the prospectus carefully before investing.

Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

The statements and opinions expressed are those of the author and are as of the date of this report. All information is historical and not indicative of future results and subject to change. Reader should not assume that an investment in the securities mentioned above was or would be profitable in the future. This information is not a recommendation to buy or sell. Past performance does not guarantee future results.

DEFINITIONS

Price/Earnings Ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share.

Real Estate Investment Trusts (REIT) is a security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages.

Russell 2000 Index (R2) includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 2000 Value Index (R2V) measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

All indices mentioned are unmanaged. It is not possible to invest directly in an index.

Debt/Capitalization Ratio represents the portfolio's long-term debt as a proportion of the capital available in the form of long-term debt, preferred stock and common stockholder's equity.

Price/Book Value Ratio is calculated by dividing the market price of its stock by the company's per-share book value.

Attribution provides an in-depth analysis of portfolio return relative to a benchmark.

Allocation Effect of the Attribution Analysis is the portion of portfolio excess return attributed to taking different group positions from the benchmark.

Selection Effect of the Attribution Analysis is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark.

Total Effect of the Attribution Analysis is the sum of all three effects. The total effect represents the opportunity cost of your investment decisions in a group relative to the overall benchmark.

Variation Average Weight is the portfolio weight minus the benchmark weight; **Variation Total Return** is the portfolio total return minus the benchmark total return; and **Variation Contribution** is the portfolio percent contribution to return minus the benchmark percent contribution to return.

INVESTMENT CONSIDERATIONS

The Value Plus Fund invests in small companies that are generally less liquid than large companies. The Fund also invests in a smaller number of stocks (generally 40 to 70) than the average mutual fund. The performance of these holdings generally will increase the volatility of the Fund's returns. Value investments are subject to the risk that their intrinsic values may not be recognized by the broad market.

INVESTMENT GOAL

The Value Plus Fund seeks long-term capital appreciation and modest current income.

Adam Peck and Brad Evans are registered representatives of ALPS Distributors, Inc.



HEARTLAND FUNDS
AMERICA'S VALUE INVESTOR®